

109TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	{	REPORT 109—
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RESOLUTION OF INQUIRY REQUESTING THE PRESIDENT TO TRANSMIT
CERTAIN INFORMATION TO THE HOUSE OF REPRESENTATIVES RE-
SPECTING A CLAIM MADE BY THE PRESIDENT ON FEBRUARY 16, 2005,
AT A MEETING PORTSMOUTH, NEW HAMPSHIRE, THAT THERE IS NOT A
SOCIAL SECURITY TRUST

APRIL , 2005.—Referred to the House Calendar and ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means,
submitted the following

ADVERSE REPORT

together with

_____ VIEWS

[To accompany H. Res. 170]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the resolution (H. Res. 170) of inquiry requesting the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2005, at a meeting Portsmouth, New Hampshire, that there is not a Social Security trust, having considered the same, reports unfavorably thereon without amendment and recommends that the resolution not be agreed to.

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COMMITTEE ON WAYS AND MEANS
COMMITTEE REPORT
H. RES. 170

I. INTRODUCTION

A. PURPOSE AND SUMMARY

House Resolution 170 requests the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2005, at a meeting in Portsmouth, New Hampshire, that there is not a Social Security trust.

B. BACKGROUND

House Resolution 170 is a resolution of inquiry, which pursuant to rule XIII, clause 7, of the Rules of the House of Representatives, directs the Committee to act on the resolution within 14 legislative days, or a privileged motion to discharge the Committee is in order. H. Res. 170 was introduced and referred to the Committee on Ways and Means, on March 17, 2005, and was ordered reported adversely by the Committee on April 25, 2005 by a vote of 22 to 1.

Under the rules and precedents of the House, a resolution of inquiry is the means by which the House requests information from the President of the United States or the head of an executive department. According to “Deschler’s Precedents,” it is a “simple resolution making a direct request or demand of the President or the head of an executive department to furnish the House of Representatives with specific factual information in the possession of the executive branch.”

On March 17, 2005, Mr. Kucinich of Ohio introduced H. Res. 170 requesting the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2005, at a meeting in Portsmouth, New Hampshire, that there is not a Social Security trust.

H. Res. 170 focuses on 11 words out of a nearly 3,800-word speech. When the 11 words are read in the context of the President’s remarks, it is clear that the President was discussing the pay-as-you-go nature of the Social Security program, and the difference between a government and private-sector trust.

In a private-sector trust, there are assets that are administered for a specific beneficiary. The Social Security Trust Funds are different. Instead of real economic assets, the Social Security Trust Funds hold IOU’s, and function as an accounting mechanism for the government. When the Social Security taxes are received in the Treasury, they are credited to the trust funds in the form of Treasury securities. When Social Security benefits are paid, an equivalent value of Treasury securities is removed.

When taxes exceed the amount needed to pay benefits in a given year, the trust funds are credited with a balance of Treasury securities.

The securities credited to the Social Security Trust Funds are guaranteed as to both principal and interest by the U.S. government. However, in order to honor the commitments to the trust funds, the Federal Government will need to raise cash by increasing taxes, reducing spending, or increasing the deficit. For this reason, the Social Security system is not a “trust” or a savings plan, but a pay-as-you-go system. According to the Social Security Administration, these accounting procedures established in the Social Security Act of 1935 (P.L. 74-271) have not changed significantly in the last 70 years.

Information related to the Social Security Trust Funds is widely available in the public domain. Each of the last three Administrations has included language in their budgets submitted to Congress to describe the differences between a private sector trust and the Federal budget meaning of “trust.” Also, the annual report of the Board of Trustees of the Social Security Trust Funds includes language explaining how the trust funds work. In addition, the Congressional Budget Office and the Government Accountability Office have both issued many public documents to explain the nature of government trust funds.

Also, on March 9, 2005, the Committee held a hearing on the future of Social Security. The primary focus of the hearing was Social Security’s structure and financial condition of the Social Security Trust Funds. At the hearing, David M. Walker, Comptroller General, U.S. Government Accountability Office, submitted testimony that “the Social Security Trust Fund is a subaccount of the federal government rather than a private trust fund. Its assets are not readily marketable nor are they convertible into cash other than through raising revenues, cutting other government expenses, increasing debt held by the public, or some combination of these.” Other witnesses at the hearing also discussed the nature of the Social Security Trust Funds.

The Committee reported the resolution adversely because the resolution requests information related to the Social Security Trust Funds that is already known and widely available.

II. HEARINGS

The Committee did not hold hearings on H. Res. 170.

III. VOTE OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the vote of the Committee

on Ways and Means in its consideration of the resolution, H. Res. 170.

MOTION TO REPORT THE RESOLUTION

The resolution, H. Res. 170, was ordered adversely reported by a roll call vote of 22 yeas to 1 nay (with a quorum being present). The vote was as follows:

Representatives	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas.....	√			Mr. Rangel.....			
Mr. Shaw.....	√			Mr. Stark.....			
Mrs. Johnson.....	√			Mr. Levin.....		√	
Mr. Herger.....	√			Mr. Cardin.....			
Mr. McCrery.....	√			Mr. McDermott.....			
Mr. Camp.....	√			Mr. Lewis (GA).....			
Mr. Ramstad.....	√			Mr. Neal.....			
Mr. Nussle.....				Mr. McNulty.....			
Mr. Johnson.....	√			Mr. Jefferson.....			
Mr. Portman.....	√			Mr. Tanner.....			
Mr. English.....	√			Mr. Becerra.....			
Mr. Hayworth.....	√			Mr. Doggett.....			
Mr. Weller.....	√			Mr. Pomeroy.....			
Mr. Hulshof.....	√			Ms. Tubbs Jones....			
Mr. Lewis (KY).....	√			Mr. Thompson.....			
Mr. Foley.....	√			Mr. Larson.....			
Mr. Brady.....	√			Mr. Emanuel.....			
Mr. Reynolds.....							
Mr. Ryan.....	√						
Mr. Cantor.....	√						
Mr. Linder.....	√						
Mr. Beauprez.....	√						
Mrs. Hart.....	√						
Mr. Chocola.....	√						

IV. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

The Committee held no oversight activities with respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives.

A. NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because H. Res. 170 does not provide new budgetary authority or increased tax expenditures.

B. PERFORMANCE GOALS AND OBJECTIVES

The rule requiring a statement of performance goals and objectives is inapplicable.

C. CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this resolution in article I, section 1 of the Constitution.

D. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

[INSERT HERE]

V. NEW ADVISORY COMMITTEES

H. Res. 170 does not establish or authorize any new advisory committees.

VI. CONGRESSIONAL ACCOUNTABILITY ACT

H. Res. 170 does not apply to the legislative branch.



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

April 26, 2005

Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for H. Res. 170, a resolution of inquiry requesting the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2006, at a meeting [in] Portsmouth, New Hampshire, that there is not a Social Security trust.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathy Ruffing, who can be reached at 226-2820.

Sincerely,

A handwritten signature in black ink, appearing to read 'Doug Holtz-Eakin', with a stylized flourish at the end.

Douglas Holtz-Eakin

Enclosure.

cc: Honorable Charles B. Rangel
Ranking Democrat



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 26, 2005

H. Res. 170

A resolution of inquiry requesting the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2006, at a meeting [in] Portsmouth, New Hampshire, that there is not a Social Security trust

As ordered reported by the House Committee on Ways and Means on April 25, 2005

H. Res. 170 would request the President, within 14 days, to transmit further information to the House of Representatives clarifying a statement that he made at a stop in Portsmouth, New Hampshire, that "there is no Social Security trust." CBO estimates that the cost of complying with the request would be insignificant. The resolution would not affect direct spending or revenues.

The CBO staff contact is Kathy Ruffing. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VII. FEDERAL MANDATES

H. Res. 170 provides no Federal mandates.

VIII. VIEWS

[TO BE SUPPLIED]

Dissenting Views on H. Res. 170, Resolution of Inquiry

We disagree with the majority's action to report the resolution to the House with an adverse recommendation. Such a recommendation ensures that the full House will not consider the resolution. On the contrary, we believe that the resolution raises an important issue which deserves discussion and consideration by the full House.

Unfortunately, we were not able even to have full discussion and consideration by the Committee. The markup was scheduled on the latest possible day, with the minimum notice, in the evening and on a day when many members had previously-scheduled activities in their districts. Only one Democratic Member attended.

The February 16 statement by the President cited in the resolution is only one of many comments by the President and other Administration officials disparaging the Social Security trust funds and their holdings. The trust funds are characterized as merely holding IOUs or pieces of paper. These comments seem designed to weaken public confidence in Social Security's future and create an impression that Social Security's financial difficulties are larger, and more immediate, than they actually are.

In addition to exaggerating the scope of Social Security's problems, the Administration's effort to disparage the trust funds and imply that they have no value suggests that the Administration believes we either cannot afford to pay back the monies that have been borrowed from Social Security over the years, or that we should not pay back the trust funds.

Either choice is disturbing. The trust funds have been built up through workers' hard-earned contributions to the fund. A regressive tax has been effectively used to fund the rest of government. We simply must pay back the Social Security trust funds. It is our moral, legal, and financial obligation to every American.

The Administration should not hint that we cannot afford to do so or should not do so. This would be troubling from any Administration. But it is particularly troubling to hear such comments from an Administration that reversed the policy of saving every penny of the trust funds' surpluses, has

diverted \$670 billion of those surpluses over five years, and now proposes to divert every penny of future surpluses.

This is irresponsible from the standpoint of the Social Security debate. However, it is also irresponsible as a matter of our overall fiscal circumstances and the financing of the Federal government, a topic of central concern to our Committee and the Congress.

The bonds held by the trust funds are Treasury securities, similar to those held by individual and institutional investors – as well as Central Banks – in the United States and throughout the world. Questioning the value of the trust funds is questioning the value of those other bonds as well. Those bonds are also “merely” IOUs or pieces of paper. To respond to criticism by acknowledging that we will honor the trust funds’ bonds, while making other statements suggesting that the United States really can’t afford to do so, sends a message about Social Security but also one about our other debt. Treasury bondholders have to wonder whether the President and his Administration believe we can afford to honor the debts we owe them as well.

If investors begin to worry about the safety of Treasury bonds, we could see significant repercussions in our domestic and international financial markets and in the U.S. and global economy, including a significant rise in our interest rates. The situation could be particularly damaging if the international investors who have purchased 91 percent of U.S. debt the past four years decide to stop buying new Treasury bonds or to sell their existing holdings.

This is why we find comments such as those the President made on February 16 and on many other occasions – including his recent visit to West Virginia – so troubling. The resolution before us sought clarification of these remarks – clarification that could play a significant role in allaying any possible market concerns.

We have sought such clarification from the Administration this year with little success. The Ranking Member submitted a written question on this topic to the Treasury Secretary following his testimony at our February 8 hearing. The Ranking Member also wrote to the Secretary following the President’s April 5 visit to West Virginia. To date, the Treasury Secretary has not responded.

H. Res. 170 raises an important issue which the Administration has ignored. We have sought to obtain further information and clarification of the Administration's views through testimony and correspondence. The Administration has not responded. Therefore, we believe it is appropriate for this Committee and the Congress to explore other avenues to obtain an appropriate explanation of the President's comments, as well as similar comments from others in his Administration.

H. Res. 170 is necessarily limited, in that it addresses only one specific instance and phrasing of a view that the Administration has expressed in many forms. We would prefer that the Administration respond to the general concern, and to do so without Congress having to pass legislation. That could have a reassuring effect on financial markets and also facilitate a more accurate and honest debate about Social Security's finances. Committee adoption of the resolution would have been a valuable step towards that goal. Unfortunately, the majority has opted to effectively kill the resolution, permitting the Administration to continue to stonewall on this important matter.

Charles Stangel Jordan Per.

Jim McQuinn Richard E. Neal

William C. McWhorter Rahm Emanuel

James R. John Lewis

Ben Cardin

Mr. Jefferson

Pete Stark

John B. Larson

Hyd. Dept.

Ed. Conway